



Bringing Your Budget to Life

Board Leadership Calgary 2019
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Agenda

- Introduction;
- Planning before creating a budget;
- Setting the stage – basic terminology;
- Different budget categories;
- Monitoring the budget and taking action;
- Identify good budgeting practices and budgeting pitfalls;
- Available resources to assist organizations in the budgeting processes.



Introduction

- Purpose of budgets;
- Creating the success environment.



Financial Stewardship

- Assuring sustainability:
 - That current spending programs are affordable and sustainable over time.
- Responsible planning and management of resources to meet the goals of the organization:
 - Board responsible for planning and monitoring and management of resources
 - Management's responsibility is to properly utilize and develop its resources, including its people, its property and its financial assets.



Expectations of Users of Financial Information

- Require financial information concerning:
 - Stewardship of funds:
 - Achievement of goals and objectives;
 - Financial stability;
 - Future plans and projections.



What Is a Budget?

- The budget is the financial plan of action based on the board's decisions for the future of the organization;

(Board Development 2009)

- Tool to monitor “how are we doing?” in relation to above.



Benefits of Budgeting

- Can force organization to set priorities and goals;
- Assists in controlling expenses and timing of revenues;
- Budget process forces a deadline for planning;
- Helps with not being constantly reactive as budgets are proactive;
- Defines roles and responsibilities in policy;
- Monitoring helps insure funds available for all planned expenditures;
- Lets you know current state of finances and helps to control spending;
- Facilitates monitoring, evaluation and performance measurement;
- Budget can be used as a communication tool;
- Assigned responsibility of following budget.



Planning Before Creating a Budget

- Link budget to organizational goals, plans, and activities;
- Articulate underlying assumptions of budget numbers;
- Use past history as a reference (actuals);
- Consider funders and programs from a budget perspective;
- People involved and project management of the budget process.



Planning Steps

- Gather budget information:
 - Ask for information and direction;
 - Obtain input from key stakeholders;
 - Link the budget to the organization's goals and priorities;
 - Be aware of budgeting policies and other financial policies;
 - Gather information from the prior period or periods.

(Board Development 2009)



Elements of a Useful Budget

- Thoughtfully prepared;
- Easily understood;
- Prepared in timely organized fashion;
- Prepared with input from committees & others;
- Can be broken down into same periods as financial statements;
- Compared to actual financial information prepared on a timely basis throughout year;
- Leads to discussion and action by management, board or committees if significant differences identified between budget and actual.



Budget Calendar 2018

Timeline	Action	Person/Group Responsible
January	Review strategic plan/business plan Set goals and objectives for next year	
February	Re-evaluate previous programs and activities Set budget guidelines Ask for input from committees	
March	Input received from committees Collect necessary information	
April	Determine costs of goals and objectives Prepare revenues and expenses budget Adjust to produce balanced budget	
May	Board approves budget	Board

Setting the Stage – Basic Terminology

- Different types of budgets:
 - Operating:
 - Overall operational.
 - Capital:
 - Purchase of capital items;
 - Land & buildings;
 - Office furniture & equipment;
 - Program furniture & equipment.
 - Program;
 - Funder based.



Setting the Stage – Basic Terminology

- Other considerations:
 - Cash flow – historical (past) and projections (future).
- Where does the cash come from?
- Where does it go?



Simple - Cash Flow Projection
December 1, 2017 - August 31, 2018

	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	Jun 2017	Jul 2017	Aug 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018	Jul 2018	Aug 2018	Total			
Starting Cash	0.000	3.400	6.000	7.000	6.000	2.300	8.200	5.100	3.400	9.000	4.700	5.100	9.000	8.000	6.000	4.700	5.100	9.000	4.700	5.100	9.000	9.000		
Interest cash inflows	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
Net Available	0.000	3.400	6.000	7.000	6.000	2.300	8.200	5.100	3.400	9.000	4.700	5.100	9.000	8.000	6.000	4.700	5.100	9.000	4.700	5.100	9.000	9.000		
Period Expenses	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
Microsoft expenses	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	
Travel expenses	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	
Other expenses	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000		
Net cash requirements																								
Start with bank bal																							0.000	
Loan disbursement payments	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
Staff bonuses paid																								2000
Unbudgeted expenses	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Accounts payable paid	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000
Capital assets purchased	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Payments to related party	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Total adjustments	6.000	3.200	9.100	2.000	2.200	3.200	3.200	3.200	3.200	3.200	3.200	3.200	3.200	3.200	3.200	3.200	3.200	3.200	3.200	3.200	3.200	3.200	3.200	
Final cash	3.400	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
End of month down																								0.000

Setting the Stage – Basic Terminology

- Cash basis of accounting for transactions:
 - Recorded as income when received and recorded as expense when spent.
- Accrual basis:
 - Revenue recorded when earned or when used for pre-set purposes;
 - Expenses recorded when transaction occurred/invoiced.



Setting the Stage – Basic Terminology

- Balance sheet:
 - Assets:
 - to be used in current or future operations;
 - property to be exchanged for goods and services;
 - Liabilities:
 - amount of assets that others own.
 - Net assets/fund balances:
 - what's left over once the liabilities are paid;
 - available for future use.
- Important budgeting considerations related to these statements.



Statement of Financial Position

As At March 31, 2017

- | | | |
|--|--|--|
| <ul style="list-style-type: none"> • Assets • Current <ul style="list-style-type: none"> • Cash and cash equivalents • Temporary Investments • Accounts Receivable • Prepaid Expenses • Total Current Assets • Capital Assets (Net) • Total Assets | <ul style="list-style-type: none"> • Liabilities & Net Assets/Fund Balances • Current Liabilities <ul style="list-style-type: none"> • Accounts Payable and accrued liabilities • GST Payable • Total Current Liabilities • Deferred contributions related to operations • Deferred contributions related to property and equipment • Total Liabilities | <ul style="list-style-type: none"> • Net Assets/Fund Balances <ul style="list-style-type: none"> • Invested in capital assets • Internally restricted • Unrestricted • Total Net Assets/Fund Balances • Total Liabilities & Net Assets/Fund Balances |
|--|--|--|

Setting the Stage – Basic Terminology

- **Cash flow statement:**
 - Where did the cash come from and where did it go;
 - May or may not match income statement.
- **Income statement:**
 - Revenue and expenses leading to net income that adds to net assets/fund balances.
- Important budgeting considerations related to these statements.



Setting the Stage – Basic Terminology

- **Deferred contributions:**
 - Funds received that are externally restricted for specific purpose or timeline;
 - Contributor does not benefit, community does;
 - Examples - grants, government funding, donors;
 - Transfer of resources or assets to an NFP with nothing given in return.
- **Deferred revenue:**
 - Related to a future period;
 - Examples – membership fees paid in advance, theatre subscriptions.



Setting the Stage – Basic Terminology

- **Budgeting restricted/unrestricted funds (balance sheet) and adhering to funder restrictions:**
 - Deferred items appear on the balance sheet and flow into revenue as expenses are incurred related to the restrictions (moves to revenue on income statement);
 - Amounts that apply to budget year should be part of the budget although related cash is already in assets
 - Unrestricted funds are recorded in the year received.



Different Budget Categories

- Revenue types:
 - Contributions:
 - Grants, donations, government funding.
 - Earned revenue:
 - Fees for service, social enterprises, ticket sales (not fundraising);
 - Fundraising.
 - Other:
 - Memberships;
 - Investments.



Different Budget Categories

- Possible expense categories:
 - Wages & benefits;
 - Program costs:
 - Supplies;
 - Transportation.
 - Rent;
 - Utilities;
 - Repairs & maintenance;
 - Insurance;
 - Professional fees;
 - IT costs;
 - Office costs.
- Fixed versus variable expenses;
- CRA reporting – registered charity versus non-registered.



Prepare the Budget

- Use facts and document your assumptions;
- Facts plus assumptions equals projections;
- Allow yourself plenty of time to think things through;
- Forecast the revenues and compare to your estimated expenses;
- Follow the financial policies and budget guidelines of the organization;
- Identify fixed and variable costs;
- Be realistic.



Receive Approval

- Finalize the budget and present to the board for approval;
- Be organized when presenting the budget and be prepared to answer questions;
- Make adjustments if new information comes to light during the presentation;
- Communicate the approved budget within the organization.



Budget Monitoring

- Monitor and evaluate the approved budget:
 - Identify and review variances;
 - Determine reasons for significant variances;
 - Determine whether the organization is on track;
 - Review information monthly and be accountable;
 - Manage the budget and take corrective action if needed;
 - Begin preparing information for the next budget cycle.



Budget Monitoring

- Monthly or quarterly basis;
- Report budget versus actual;
- Match revenue and expenses;
- Report effects of new programs not in budget;
- Significant changes in the year;
- Dealing with variances:
 - Analyzing budget variances, and options for action.



INTEGRAL ORG CENTRE PLAYERS
STATEMENT OF REVENUES AND EXPENSES WITH COMPARISON TO BUDGET
MONTH OF AUGUST AND THE EIGHT MONTH PERIOD ENDING AUGUST 31, 2017

	Actual			Budget		
	Mo. to Date	Mo. to Date	Variance	Yr. to Date	Yr. to Date	Variance
Revenue	-	-	-	1,590	1,540	
Expenses	5,000	4,500	500	12,400	11,500	
	500	417	83	3,500	3,336	
	10,000	10,000	-	25,000	15,000	
NET REVENUE	15,500	14,917	583	42,490	31,376	
Program	245	250	5	1,830	2,000	
Admin	150	125	25	963	1,000	
Equipment	10,000	10,000	-	10,000	10,000	
Other	-	-	-	15,000	5,000	
	200	300	100	1,375	2,000	
	3,000	2,700	300	7,440	6,900	
EXPENSES	13,595	13,375	220	36,608	27,300	
NET PROFIT	1,905	1,542	363	5,882	4,076	

Identify Good Budgeting Practices

- Bookkeeping approaches:
 - Keep chart of accounts reasonable;
 - Record transactions according to what is required for reporting financial statements:
 - Use the capabilities of your software.
 - Record in a timely fashion to provide timely reports;
 - Ensure budgets are entered into accounting system so that meaningful reports can be generated on a regular basis.
- Program reporting:
 - Understand what information is important to properly manage the program;
 - Be clear about what funders want to see in reports;
 - Use accounting system to make allocations if necessary.
- Funder reporting:
 - As above.



Identify Good Budgeting Practices

- Understand who is doing what;
- Be timely;
- Be thorough;
- Be honest.



Budgeting Pitfalls

- Non-profit CRA compliance:
 - Registered charities:
 - Registered Charity Information Return (T3010) (follow the CRA guidance on completing);
 - GST/HST – budget for portion not rebated, becomes an expense.
 - Non-registered not for profits:
 - Corporate Tax Return (T2);
 - Not for Profit Information Return (T1044);
 - GST/HST – budget for portion not rebated, becomes an expense.
- Accounting standards:
 - Need to be followed if you need and audit or review engagement;
 - Deferred contributions;
 - Capitalization.
- Depending on fundraising:
 - Never use to balance out to zero unless it is evident the plan is sound.



Resources to Assist Organizations in the Budgeting Process

- Websites:
 - <https://www.alberta.ca/en-board-development-program-info-bulletins>;
 - <https://charityvillage.com>;
 - <https://www.councilofnonprofits.org/tools-resources/budgeting-nonprofits>;
 - <https://integralorg.ca/>.
- Books available from Indigo:
 - [The Budget Building Book for Non-Profits](#) (2007), by Murray Dropkin, Jim Halpin, Bill La Touche;
 - [The Cash Flow Management Book for Non-Profits](#) (2001), by Murray Dropkin, Allyson Hayden.



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